

CALENDAR ITEM

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A. Reid

**CONSIDER APPROVAL OF THE
LONG BEACH UNIT PROGRAM PLAN (JULY 1, 2011 THROUGH JUNE 30, 2016)
AND THE ANNUAL PLAN (JULY 1, 2011 THROUGH JUNE 30, 2012),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Long Beach Gas and Oil Department
Attn.: Mr. Christopher J. Garner, Director
211 East Ocean Boulevard, Suite 500
Long Beach, CA 90802

BACKGROUND:

In accordance with Chapter 941 of the Statutes of 1991 (Chapter 941) and the Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit, the Long Beach Unit Program Plan (July 1, 2011 through June 30, 2016) and the Long Beach Unit Annual Plan (July 1, 2011 – June 30, 2012) has been submitted by the City of Long Beach (City) to the California State Lands Commission (Commission).

At its meeting on March 15, 2011, the Long Beach City Council adopted the proposed Annual Plan and authorized its submission to the Commission for consideration and approval. The plan was submitted to the Commission on March 16, 2011 for consideration. The Commission has 45 days following formal submission of the Annual Plan to take action. If no action is taken, the Program Plan and Annual Plan are deemed to be approved as submitted. Section 3 of Chapter 941 limits the Commission's review and revision of the Program Plan to its consistency with good oil field practice, the Optimized Waterflood Program and the Long Beach Unit and Unit Operating Agreements and to the absence of significant environmental and safety risks, and its review and revision of the Annual Plan to its consistency with the Program Plan.

As presented in the Long Beach Unit Program Plan, the economic projections for

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the period July 1, 2011 through June 30, 2016 (as presented by the City) are shown on the following table:

ALL FIGURES ARE IN MILLIONS OF DOLLARS			
PERIOD	TOTAL REVENUE	EXPENDTURES	NET INCOME
FY 11-12	429.3	377.6	51.7
FY 12-13	420.9	387.2	33.7
FY 13-14	418.5	385.6	32.9
FY 14-15	417.3	382.8	34.5
FY 15-16	417.7	382.0	35.7
TOTAL	2,103.7	1,915.2	188.5

For the period FY 11-12 through FY 15-16, the Long Beach Unit Program Plan includes anticipated rates of production, revenues, expenditures, and net profits for the Unit as projected by the City of Long Beach Gas and Oil Department. For the five year Program Plan projection, the City has estimated that the Unit net income from July 1, 2011 through June 30, 2016 will be \$188.5 Million, after total expenditures of \$1,915.2 Million. This income scenario is based on a forecast oil price of \$45 per barrel and an average natural gas price of \$4.50 per mcf. This income will be generated primarily by oil revenues based on production forecasts ranging from an average of 24,900 bbls/day in fiscal year 2011/2012 to an average of 24,300 bbl/day in fiscal year 2015/2016. These oil production rates are based on the assumption that development activity will include an average of 46 wells to be drilled in each of the five years of the plan. This will result in a total of 231 wells to be drilled or redrilled over the plan period. Expenditure levels and project mix may be adjusted as needed to respond to fluctuations in oil price and other economic conditions.

Commission staff has reviewed the Program Plan and Annual Plan as submitted by the City and believes that the economic basis upon which the Plans are prepared will support and provide an engineering framework to meet the objectives of the Optimized Waterflood Agreement and the Long Beach Unit and Unit Operating Agreements, and is based on all engineering and geologic information available at the time of preparation. Staff also believes that the Plans

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meet the statutory criteria by which the Commission is authorized to review and revise the Plans. Engineers representing the State, City, THUMS, and OXY agree that objectives will be met in all areas of interest, including those of good oil field practice, proper reservoir management, safety to employees and the public, and environmental protection, through active participation by all parties at Unit forums, Engineering Committee meetings, Voting Party Committee meetings, and during events as they occur in the field.

OTHER PERTINENT INFORMATION

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Letter from the City of Long Beach submitting the Long Beach Unit Program Plan and Annual Plan to the California State Lands Commission.
- B. Long Beach Unit Program Plan (July 1, 2011 through June 30, 2016).
- C. Long Beach Unit Annual Plan (July 1, 2011 through June 30, 2012).

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(C)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

Approve the Long Beach Unit Program Plan (July 1, 2011 through June 30, 2016) and the Long Beach Unit Annual Plan (July 1, 2011 through June 30, 2012), Long Beach Unit, Wilmington Oil Field, Los Angeles County.